

# Agricultural Infrastructure Loan Program



## Guidelines

**Purpose:** To assist Kentucky agricultural producers by providing them access to below market financing for the acquisition, renovation, and construction of agricultural structures that enhance the profitability of their farming operations.

**Terms:**

1. Interest rate on KAFC portion of loan will be fixed at 2% a.p.r. for life of loan for producers documenting tobacco involvement and at 4% a.p.r. for those without documentation. KAFC reserves right to adjust rate on any new loans as market conditions change
2. Documentation of tobacco involvement will consist of one of the following:
  - a. Evidence of a past Phase II payment
  - b. Evidence of enrollment in the Tobacco Transition Payment Program
  - c. An executed current marketing contract for tobacco production
3. Lender can charge administrative costs not to exceed 0.75% (75 basis points) on the KAFC portion of the loan and this must be reflected in the blended rate offered to borrower
4. Maximum KAFC participation will be limited to \$100,000 or 50% of project
5. Maximum term of KAFC portion cannot exceed 15 years or useful life of project
6. Operating or refinancing loans are not eligible
7. KAFC debt will be subordinate to participating lender. No future debt can be incurred on mortgaged property without consent of KAFC.
8. Applicant must receive at least 20% of gross income from farming for previous two years as evidenced by federal income tax returns. For KAFC purposes this will be calculated by dividing the Gross Farm Income (GFI) amount found on the Schedule F by the Adjusted Gross Income amount found on the Form 1040. For applications dealing with entities other than Sole Proprietorships, staff will review the applicant's tax returns and calculate GFI by identifying the most relevant Gross Income amount representing farm income and dividing it by the applicant's personal Adjusted Gross Income from their 1040 return.
9. Project must be located on property in Kentucky
10. KAFC shall review each application and supporting documentation, loan approval will be at the discretion of the KAFC board

**Eligible Projects:** Agricultural facilities including structures and permanently attached equipment with plan to improve profitability of farming operation will include but not be limited to:

Dairy facilities: including freestall barns, milking parlors, waste storage, etc.

Swine facilities: including gestation, farrowing, finishing, etc.

Beef facilities: including permanent working facilities, commodity storage, etc.

Equine facilities: including stables, arenas, etc. for business activities only

Poultry facilities: including broiler houses, compost barns, etc.

Grain facilities: including storage and drying bins, chemical storage, etc.

Tobacco facilities: including greenhouses, barns, migrant housing, etc.

Aquaculture Structures: including pond construction, indoor production facilities, water systems, etc.

Other long term structures at the discretion of the KAFC board

**Other Details:**

- Applicants must acquire all relevant permits and the project must meet all required construction codes. Applicable design and oversight will be determined by the KAFC board based upon the complexity and the scope of the project. Property must be in compliance with all environmental regulations.
- Participating lender and/or borrower will provide interim financing during construction of project. KAFC will transfer loan proceeds upon satisfactory completion of project.
- Any principal and interest payments made by borrower will be shared pro-rata by lender and KAFC unless both parties agree to modified terms.
- Only expenses incurred after the Agricultural Infrastructure Loan Application has been received by KAFC will be eligible for consideration under the loan program.
- Construction on the project must begin within 6 months of loan approval and must be completed within 1 year of loan approval.